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53-4632

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Real Estate and Construction Division
ATTN: Mr. Molineaux

27 August 1953

Office of the General Counsel

Contract RE-53-51; Richmond City Tax

1. The Contractor states in his letter of August 6, 1953 to Mr. Clarence T. Paul that the City of Richmond proposes to levy a tax of one per cent of the Contractor's fee, the tax amounting to $770.00.

2. The Contractor enclosed a copy of an opinion by the City Attorney dated May 13, 1953 which indicates that this is in the nature of an income tax and may be collected from the Contractor although the work was done for the United States and on Government premises.

3. Income taxes are not normally reimburseable costs under CPFF contracts and there seems no reason to make an exception here. Article IV.1.U. of the contract incorporates by reference Section XV, Contract Cost Principles, of the ASPR. Paragraph 15-404 of that Section lists as an item of non-reimburseable costs "Taxes, fees or charges imposed upon, by reason of, or measured by the contractor's fee". The Contractor quotes in his letter from Article IV.1.O. of the Contract. However, this article does not provide for payment of this type of tax by the Government, and the general principle stated above should apply.

25X1

[redacted]
Assistant General Counsel

GC/RGH:fmc (27 August 1953)

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